

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re: MVP Health Plan's First and Second)	Docket #:
Quarter 2015 Large Group HMO Rate Filing)	GMCB-023-14rr

MVPHP Health Care's Memorandum in Lieu of Hearing

MVP Health Plan (MVPHP) hereby submits this Memorandum requesting that the Green Mountain Care Board (GMCB) approve the rates as filed. MVPHP and the Office of the Health Care Advocate (HCA) have agreed to waive the hearing before the GMCB in this proceeding.

Description of the Filing

The present filings are manual rate filings for MVPHP's large group HMO line of business, and include both grandfathered and non-grandfathered plans. The filings contain the manual rates that MVPHP proposes to charge large group HMO subscribers who enroll or renew coverage during the first or second quarters of 2015.

MVPHP has proposed an annual manual rate change of 5.5% for medical and prescription drug coverage (there are actually no members renewing in 2Q15). The medical rate increase is 5.6% and the Rx increase is 4.9% for those renewing in 1Q 2015.

In last year's filing these changes did not include updates made to the demographic or industry factors which are applied to the manual rates to develop a group-specific manual premium. The changes related to these factors will vary by group, and led to an additional increase to the premium. However, for this rate filing, there are no demographic or industry changes, so there will not be any additions to the premium.

These filings cover three subscribers and 245 members, which represents 96.7% of this book of business, all of which will be renewing in 1Q 2015. Members have migrated to MVPHIC's PPO/EPO products.

MVPHP's Rationale

MVPHP requests that the GMCB approve the rates as filed and not further reduce its contributions to reserves or reduce the rates in any way. The GMCB chose not to obtain an actuarial opinion from Lewis and Ellis (L&E) for this filing so the only expert opinion is from MVPHP's own actuary. There is no other actuarial opinion to contradict MVPHP's conclusions. MVPHP takes this opportunity to express its concerns about any role that L&E might have played or will play in the GMCB's decision. L&E did submit a series of questions to MVPHP on August 22, 2014, to which MVPHP responded. MVPHP was then informed that the GMCB would obtain a formal opinion from L&E. MVPHP has no way of knowing what contact L&E has had with GMCB staff during their analysis of this filing, or whether a verbal opinion was given to the GMCB.

We were assured by Mike Donofrio that the Board would not seek any opinion, verbal or otherwise, from L&E, and agreed that the Board could not rely on an opinion from L&E that was not made available to the parties. However, He did say that Board staff would consult with L&E. MVPHP formally expresses its concern about such communication and where the line is drawn between consulting about the filing and expressing an opinion. MVPHP requests that this objection be made part of the record in this filing as it has no opportunity to rebut any comments made by L&E.

In developing these rates, MVPHP used the same trend assumptions as used in its 2015 Exchange rate filing (GMCB #017-14rr), including the same administrative load (9.5%) and the same contribution to reserves (2%). Because this book of business has such small membership, it is not considered credible for rate setting purposes and is expected to produce volatile medical loss ratios. MVPHP is proposing to increase the previously approved 4Q 2014 manual rates by the expected quarterly inflation rate adjusted for the impact of benefit changes.

Trend factor development: Consistent with recently submitted filings, MVPHP applied 0% utilization trend to its medical data. Regression analysis was performed on MVP's utilization data in the past, and it was concluded that the predictive ability of the historical utilization trends was weak and not reliable. The assumed unit cost trends reflect known and assumed price increases from MVPHP's provider network. The 2014 unit cost trend factors are consistent with the unit cost trend factors used in MVPHP's recently submitted 2015 Exchange filing. In addition to the medical cost inflation rate assumed from the historical experience period to the rating period, an adjustment was needed to reflect the impact of cost share leveraging on MVPHP's share of the medical cost. Leveraging is a result of the fixed nature of deductibles and copays in health benefit plans. When there are fixed member deductibles and copays, MVPHP bears a greater portion of the cost of medical inflation. Therefore, an additional factor adjustment was made to the trend assumption to capture this cost.

The annual Rx trend factors were supplied by MVPHP's pharmacy vendor and reflect their best estimate of MVPHP's expected changes to pharmacy costs and drug utilization. MVPHP did not adjust its Rx trend estimates for Vermont large group experience, but instead relied on its vendor's best estimate of future Rx trends. MVPHP's pharmacy vendor (CVS/Caremark) has expertise in understanding future Rx utilization patterns, drug patent expirations, new drugs expected to be approved by the FDA in the near future, and changes in the average wholesale price which are not reflected in MVPHP's historical data. Because all of these changes are occurring, MVPHP's historical data and trends would not be a good predictor of future trends.

The 2015 specialty unit cost trend has increased since MVP submitted its 2015 Exchange filing. MVP had conversations with CVS/Caremark regarding the assumed impact of Sovaldi on its specialty trend. Their trend did not adequately capture the impact of Sovaldi based on an analysis performed on MVPHP's commercial book of business over the first four months of 2014 and an adjustment was made to account for this change. MVPHP increased its specialty trend by 4.1% to account for the shortfall of the vendor's trend. MVPHP determined this more accurately represents the likely experience for this one particular drug.

The filing also includes allowances for the federal reinsurance fee of \$2.00 pmpm, for retrospective rating, and the national network fee associated with its national rental network.

Therefore, MVPHP requests that the GMCB approve the rates as filed.

s/ Susan Gretkowski
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October 31, 2014

Certificate of Service

I, Susan Gretkowski, hereby certify that I have served the above Memorandum on Michael Donofrio, General Counsel to the Green Mountain Care Board, and Lila Richardson and Kaili Kuiper, counsel of record for the Office of the Health Care Advocate, by electronic mail this 31st day of October, 2014.

s/ Susan Gretkowski
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